



Press Release

IKAA GRANITO PRIVATE LIMITED

February 04, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term Bank Facility	52.06	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
2	Short Term Bank Facility	3.50	IVR A3 (IVR A Three)	Assigned
	Total	55.56		

Details of Facilities are in Annexure 1.

Detailed Rationale

The ratings assigned to the bank facilities of IKAA Granito Private Limited factors in its experienced and resourceful promoters, proximity to raw material sources by virtue of the company's presence in the ceramic hub Morbi (Gujarat) and gradual scale up of operations with improvement in profitability in FY20 and in 9MFY21 with improvement in the capital structure and debt protection metrics. The ratings also note infusion of equity by the promoters in 9MFY21. However, these rating strengths are partially offset by short track record of its operations, susceptibility of its profitability to adverse fluctuations in prices of key raw materials and high working capital intensity of its business.

Key Rating Sensitivities:

Upward Factors:

- Substantial & sustained improvement in scale of operations leading to improvement in debt protection metrics
- Improvement in total outside liabilities to tangible net worth ratio to below 3x on a sustained basis
- Improvement in working capital cycle strengthening liquidity.

Downward Factors:

- Any decline in scale of operations and/or moderation in profitability leading to deterioration in debt protection metrics.
- Moderation in the capital structure and/or withdrawal of unsecured loan (treated as quasi equity)



Press Release

- Any instance of fund diversion
- Stretch in working capital cycle leading to weakening in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and resourceful promoters**

The company was established under the guidance of Mr. Shaileshbhai, Mr.G. Vasnani and Mr. Manish N. Vasnani who collectively have an experience of over a decade in tiles industry through Italica Floor Tiles Ltd and Soriso Ceramic Pvt Ltd. The promoters are supported by a highly qualified and trained team to run day-to-day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its customers and suppliers. Strength and support can also be derived from the support of group companies in the event of distress where the promoters hold a majority stake.

- **Strategic location advantage**

The company's manufacturing plant is located in Morbi, Gujarat which is considered to be the ceramic hub of India, contributing over 80% of total ceramic tiles production in India. Therefore, the company has competitive advantage in easy access to quality raw material at competitive prices with lower transportation cost from Gujarat and some parts of Rajasthan.

- **Gradual scale up of operations with improvement in profitability**

IGPL commenced commercial operations from July, 2017. It has reported steady growth since its inception and its total operating income improved from Rs.62.38 in FY18 to Rs.128 crore in FY20. The growth in total operating income is largely driven by increase in demand in domestic tiles market space coupled with gradual increase in overseas sales. The operating margin of the company remained satisfactory in the range of 8%-9% over the past three fiscals ending in FY20 whereas the PAT margin improved gradually and remained satisfactory at 2.67% in FY20 (2.45% in FY19). Further, IGPL has also witnessed healthy growth in its cash generation from Rs.1.97 crore in FY18 to Rs.6.78 crore in FY20. The Company has achieved a revenue of Rs.132.43 Cr in 9MFY21 with EBITDA margin of 10.22%. Going forward Infomerics expects that the company will continues to maintain a decent growth in its operations.

- **Gradual improvement in the capital structure and debt protection metrics**



Press Release

IGPL has witnessed gradual improvement in its capital structure over the last three account closing dates driven by scheduled repayment of term debt obligations and accretion of profit to net worth. Further, the net worth of the company includes subordinated unsecured loans from the promoters aggregating to Rs.7.22 crore. The overall gearing ratio witnessed continuous improvement from 1.94x as on March 31,2018 to 1.44x as on March 31,2020. Further, total indebtedness of the company also remained moderate marked by TOL/ATNW at 2.59x as on March 31,2020. The debt protection metrics of the company also improved sequentially and remained moderate marked by interest coverage of 2.30x in FY20 (FY19: 2.09x, FY18: 1.50x) and Total debt to GCA at 5.58 years in FY20 (A) [7.15 years in FY19]. Further, the capital structure and debt protection metrics of the company is expected to improve in the near term with repayment of term loan and retention of profit. The Company has increase its paid up share capital from existing Rs.14.00 Cr to Rs.20.00 Cr in the current year (FY21) and have already increased its Authorised Capital to Rs.20.00 Cr and infused Rs.2.68 Cr as share application money. The balance amount, will either be infused as fresh equity by the promoters or may be converted from the unsecured loans. Further, Unsecured Loan from Director or Promoters has also increased from Rs 7.22 Cr in FY 2020 to Rs.9.05 Cr in FY 2021.

Key Rating Weaknesses

- **Short track record of operations**

IGPL has started its operation since July,2017 hence it has a short operational track record of about three years.

- **Susceptibility to adverse fluctuations in prices of key raw materials**

Major manufacturing cost component in ceramic tile industry are raw material (body clay and feldspar) and power, fuel (IGPL uses Coal) which determine the cost competitiveness and company's profitability in the industry. IGPL has limited control over the prices of its key inputs. Hence, the company's profitability, vulnerable to the movements in raw material and gas prices, relies on its ability to pass on any adverse movement to the customers.

- **Intense competition and exposure to cyclicity in real estate industry**

The tile manufacturing industry is characterized by intense competition due to consequent low entry barriers, easy availability of raw material and limited initial capital investment, which



Press Release

results in limiting the pricing flexibility resulting in pressure on company's revenue and margins. IGPL faces direct competition from the large and organized players who have better brand visibility. Further sale of tiles is also linked to demand from real estate sector, which is cyclical in nature. Hence, IGPL 's profitability and cash flows are likely to remain vulnerable to the inherent cyclical nature of the industry.

- **High working capital intensity**

The nature of business of IGPL requires the company to maintain a high level of raw material inventory to ensure uninterrupted production. Further, the company has an elongated creditors period as the company is in a phase of establishing itself in the market and to gain market share and customers, the company provided an extended credit period. Hence, the Operations are working capital intensive, with gross current assets estimated at 155 days in FY20 (142 days in FY19).

Analytical Approach: Standalone.

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The current ratio remained comfortable at 1.17x and 1.18x respectively as on accounts closing dates of FY 2020 & FY2019 respectively. Further, the company's cash flow from operations also remains adequate albeit having a moderate scale of operations. The liquidity of the company expected to remain adequate in the near to medium term in view of sufficient cash accruals in comparison to its debt repayment. Moreover, the average cash credit utilisation of IGPL remained moderately utilised at ~74% during the past 12 months ended October, 2020 indicating a satisfactory liquidity buffer.

About the Company

Incorporated in 2016, Gujarat based Ikaa Granito Private Limited (IGPL) is promoted by Mr. Shaileshbhai G. Vasnani, Mr. Manojkumar V. Kakasaniya, Mr. Bhargav C. Kavar and Mr.



Press Release

Manishbhai N. Vasnani. The company is engaged in manufacturing of Ceramic Glazed Vitrified Tiles under its own brand name “Italica”. The Ceramic Glazed Vitrified Tiles has wide usage for commercial as well as residential purpose. The Company had started its production from July 15,2017 with production capacity of 113400 Tons per annum at its plant located at Morbi, Gujrat which is a well-developed industrial city and is the hub for manufacturing ceramic tiles in India. Beside domestic markets the company also caters to export markets of Latin American, Russia & South East Asian countries. Export contributes ~30% of its total revenue in FY20.

Financials: Standalone

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	108.78	128.00
EBITDA	9.41	10.37
PAT	2.68	3.45
Total Debt	37.24	37.80
Tangible Net worth	23.29	26.33
EBITDA Margin (%)	8.65	8.10
PAT Margin (%)	2.45	2.67
Overall Gearing Ratio (x)	1.58	1.44

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	17.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	-	-	-
2.	Term Loans	Long Term	34.06	IVR BBB-/Stable	-	-	-



Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
				(IVR Triple B Minus with Stable Outlook)			
3.	Packing Credit	Long Term	1.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	-	-	-
4.	Bank Guarantee	Short Term	3.50	IVR A3 (IVR A Three)	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ayush Rathi Tel: (033) 46022266 Email: ayush.rathi@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
---	---

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and



Press Release

information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility-Cash Credit	-	-	-	17.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Long Term Bank Facility-Term Loans	-	-	2025	34.06	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Long Term Bank Facility-Packing Credit	-	-	-	1.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Short Term Bank Facility -Bank Guarantee	-	-	-	3.50	IVR A3 (IVR A Three)